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A MESSAGE FROM
GOVERNOR
EDWARD D. DIPRETE

Dear State Employee:

I am delighted to announce the availability of an important new coverage: Long-Term Care Insurance. The need for long-term care often precipitates a wrenching family crisis.

It can wipe out assets accumulated over a lifetime of hard work. It can force aging parents, helpless to do otherwise, to become a heavy financial drain on their children.

Unfortunately, many people mistakenly believe that Medicare or our group health plan will pay these costs. Medicare is designed to pay "acute care" costs like hospital stays or doctors' bills. And Medicaid, the government program for the poor, will provide coverage...if you use up your savings first.

Just as you plan for income during retirement, you should also consider long-term care insurance as an investment in your future. To help you, we've carefully reviewed the plans of several major insurers and have chosen a Long-Term Care Insurance plan administered by John Hancock Mutual Life Insurance Company. John Hancock is a trusted name with more than 125 years of service and stability in the insurance business.

Please read the rest of this issue of Personnel pRide for a better understanding of the long-term care problem and one possible solution. You will receive more information, including an informative brochure and application forms, in the near future. I urge you to consider taking advantage of this opportunity to protect the health and financial well-being of you and your family.

Sincerely,

Edward D. DiPrete

Edward D. DiPrete
Governor

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THE NEED FOR LONG-TERM CARE

The Number of Elderly is Growing Rapidly

According to the U.S. Bureau of the Census, the number of persons aged 65 and older is expected to increase sharply beginning in 2010. The Baby Boom generation will affect the age structure of America dramatically. In 1980, the over-65 population was 25.7 million, about 11.3 percent of the total population. Projections for 2030 indicate a 150 percent increase in the over-65 population, while the rest of the population will increase by only 19 percent.

Currently, 5 percent of those over 65 and 22 percent of those over 85 are in nursing homes. There are now about 1.25 million older Americans in nursing homes and this figure is expected to increase another one million by the year 2000. The Brookings Institute estimates that nursing home costs will triple by 2018, rising from \$33 billion to \$98 billion.

A DEFINITION OF LONG-TERM CARE

Long-term care (LTC) refers to a broad spectrum of medical and support services provided to persons who have lost some or all of their capacity to perform the activities of daily living and who are expected to need such services over an extended period of time. It is different from acute or short-term care, which has to do with such services as hospitalization, diagnostic tests, surgery and prescription drugs.

Typical LTC services range from skilled nursing care on a 24-hour basis to assistance with the activities of daily living such as bathing, dressing, eating and moving about. The need for LTC services can arise all at once, due to a heart attack or stroke, or gradually over time, due to a degenerative illness such as Alzheimer's Disease or senile dementia.

There Will be Less Informal Long-Term Care Given by Families

The amount of informal caregiving at home by family members is expected to change in the coming years. This is an era of more working women, more later marriages with fewer children, more divorces, and increased mobility. There is a growing need for independent planning with reduced reliance on traditional family support systems.

Medical Technology has Increased Longevity

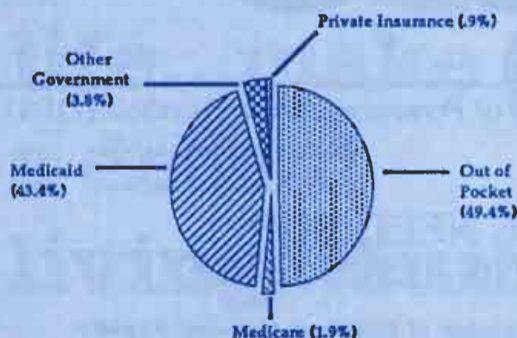
The need for long-term care is also driven by the efficiency and advancement of medicine. Medical technology has found ways to prolong the lives of many people, thereby increasing the

(Continued on page 2)

The Need For Long-Term Care

(Continued from page 1)

Nursing Home Expenditures 1989 \$46.0 Billion (Est.)



number of people subject to chronic diseases who may require long-term care.

The Problem of Financing

Currently, Medicare's main focus is on acute medical needs. Medicare provides very little financial support for long-term care services (1.9%). Even the Catastrophic Health Insurance legislation, recently repealed, did little to cover long-term care needs. Whatever legislation replaces the Catastrophic Health Act will certainly be a weakening of what little coverage existed.

The elderly themselves or their families pay the greatest proportion of nursing home cost. However, statistics of the Employee Benefits Research Institute (EBRI) show that some two-thirds of single people who enter a nursing home are impoverished within just 13 weeks, and married couples are impoverished almost as fast. Many spouses remaining in the community must apply for welfare to maintain their homes.

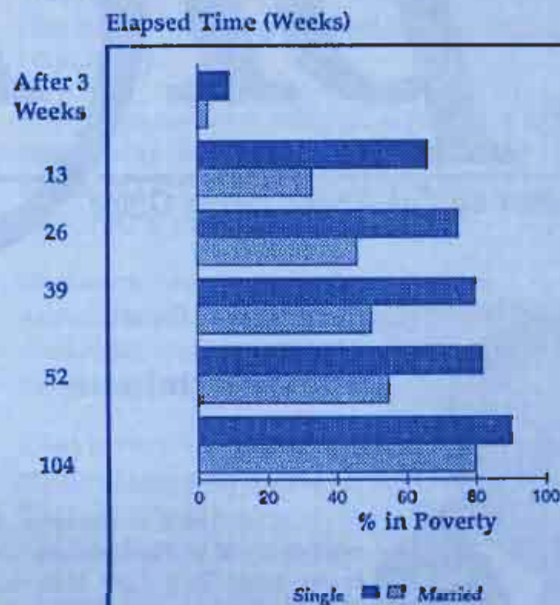
Another source of financial support is the Medicaid program. Medicaid is a joint Federal-State program intended only for the indigent. To become eligible for Medicaid, you have to "spend down" your resources to poverty levels. Many older Americans who enter nursing homes as private pay patients end up on Medicaid. As a result, Medicaid is still the main source for long-term care financing and the problem has become a severe financial burden for the states. A recent General Accounting Office (GAO) report affirms that because of budget constraints on the Medicare and Medicaid programs, private long-term care insurance will have to be included with any federally sponsored long-term care initiative.

Long-Term Care Insurance

Within the last few years, the number of insurers offering individual long-term care insurance policies has grown. There are now almost 100 insurance and financial service companies offering such policies. Over 1,000,000 policies have been issued throughout the United States, and consumer interest is growing.

Private insurance allows an individual to finance long-term care services through some sort of pre-funding or pooling of risk. On the average, one year in a nursing home costs \$24,000 to \$50,000. Though this would be astronomical for some individuals

Percent of Elderly Impoverished by Long-Term Care Costs



to absorb, sharing the risk and administrative costs with a larger group through insurance will lessen the cost per person.

The group long-term care insurance policy available to you through the State of Rhode Island is an excellent way to protect yourself and your family against the high cost of long-term care services. A person 55 years old can purchase \$116,800 of benefits for as little as \$32 a month, less than the cost of insuring an automobile. This protection would safeguard family savings and property from the thousands of dollars in charges that could result from a serious illness or injury.

Long-term care insurance will not pay every dollar of coverage for every person. But it will cover the majority of expenses incurred by most people. It's clearly the best way to provide for a secure and independent future.

pRIde

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ANNOUNCING ...

THE JOHN HANCOCK GROUP LONG-TERM CARE INSURANCE PLAN FOR STATE EMPLOYEES

The State of Rhode Island is offering its employees the opportunity to apply for John Hancock Group Long-Term Care Insurance. This plan assures you of the valuable long-term care coverage you may need in later years for yourself, your spouse, your parents or your parents-in-law. You've worked a lifetime to achieve a position of financial independence and stability. This coverage protects your retirement savings from the high cost of long-term care. Here are some of the benefits of John Hancock Group Long-Term Care Insurance:

- Coverage for all levels of Nursing Care – skilled, intermediate and custodial care.
- Coverage for Home Health Care and Alternative Sites (such as Adult Day Care Centers). Receive care in the most appropriate environment for you.
- High daily maximum reimbursements – Up to \$100 a day coverage for nursing home care.
- Lifetime Maximum Benefit amount for optimum flexibility – use benefits as you need them.
- No prior hospitalization or previous nursing care is required to qualify for benefits.
- Level premium contributions, based on age at enrollment. Younger ages will retain lower rates.
- Guaranteed continuation of coverage.
- Inflation Adjustment Feature – every three years you will have the option to increase your coverage.
- Information counselling by a Registered Nurse – advice on the most appropriate care for you and where to get it.
- Easy claim filing.
- No coordination of benefits with Medicare or other medical plans.
- Your spouse, parents and parents-in-law can enroll in the plan regardless of whether you do.

GLOSSARY OF LONG-TERM CARE TERMS

Activities of Daily Living (ADL) are the normal activities that you perform every day, such as eating, dressing, bathing and moving around.

Custodial care is a drop-off facility for adults who need custodial care.

Custodial care is care that is primarily for the purpose of meeting personal needs such as help in walking, bathing, dressing or eating. It can be provided by someone without professional medical skills or training, but must be based on a doctor's orders.

Intermediate care is occasional nursing and rehabilitative care that can only be performed by, or under the supervision of, skilled medical personnel. The care received must be based on a doctor's orders.

Intermediate care facility is one that is licensed by the state and one that may be certified by Medicaid to provide intermediate care. It may also provide custodial care. It can provide Medicare or Medicaid-covered skilled nursing care only if it has been certified to do either one.

Home health care may include care received at home such as part-time skilled nursing care, speech therapy, physical or oc-

cupational therapy, part-time services of home health aides or help from homemakers or choreworkers.

Medicaid is the joint state and federal program that states have adopted to provide payment for health care services to those with lower incomes or with very high medical bills. It does provide benefits for custodial and home health care, once income and assets have been "spent down" to eligibility levels.

Medicare is the federal program that is designed to provide those over age 65, some disabled persons and those with end-stage renal disease with help in paying for hospital and medical expenses. It does not provide benefits for long-term care.

Medicare supplement insurance (Medigap) is private insurance that supplements or fills in many of the gaps in Medicare coverage. It does not provide benefits for long-term care.

Skilled nursing care is daily nursing and rehabilitative care that can be performed only by, or under the supervision of, skilled medical personnel. The care received must be based on a doctor's orders.

Skilled nursing facility is one licensed by the state and one that may be certified by Medicare and/or Medicaid to provide skilled nursing care. It may also provide intermediate or custodial care.

COMPARING LONG-TERM CARE BENEFITS

	Skilled Nursing Care	Custodial Nursing Care	Home Health Care	Rest Home and Adult Day Care Centers
Medicare	Medicare will pay all but \$25.50/day for first 20 days; 100% of eligible expenses for next 130 days, nothing thereafter Care must be received in a Medicare approved skilled nursing institution	Not covered	Medicare only covers medically necessary part-time skilled nursing care, physical therapy or speech therapy You must be confined to your home to receive care The care provider must be a Medicare participant	Not covered
Medicare Supplement Plans	Varies depending on plan – Payment of \$0, \$25.50 deductible, or limited daily amount beyond the 150th day	Not covered	Usually not covered	Usually not covered
Catastrophic Health Insurance Plan	Not covered	Not covered	Not covered	Not covered
John Hancock Group Long-Term Care	Covered*	Covered*	Covered*	Covered*
<p>* No prior hospitalization or stay in a nursing facility required.</p> <p>* Pays 80% of daily nursing home charges up to selected nursing home care amount of \$80 or \$100 or 80% of daily home health care charges up to home health care amount of \$40, or \$50.</p> <p>* Benefits are available up to the Lifetime Maximum Benefit that equals: $1,460 \times \text{Daily Nursing Home Amount}$ (The amount provides a minimum of 4 years of coverage)</p>				

WASHINGTON UPDATE

At present, the outcome of the congressional debate on long-term care financing is uncertain. On October 4, 1989, the U.S. House of Representatives voted to repeal the Medicare Catastrophic Protection Act of 1988 — in force for less than a year — by a vote of 360 — 66. Two days later, the Senate resolved to place the matter in the hands of a House/Senate conference for further discussion.

Unfortunately, the new catastrophic plan, like the old Medicare plan, provides little coverage for long-term care. It was this deficiency and other problems, namely the fact that seniors were financing the bulk of the coverage via income-based supplemental premiums, that led to the House repeal measure.

While the new plan provides some assistance to persons in need of long-term care, it is intended, primarily, to cover acute care nursing needs, i.e. costly hospital, surgical and medical treatments. It does not cover custodial care — personal assistance with the activities of daily living. While it does modify somewhat the "spend down" requirements for Medicaid eligibility, allowing spouses of beneficiaries to retain a slightly higher monthly income and higher assets, coverage is limited to 150 days of facility-based care and 38 consecutive days of home health care.

If the Senate also votes to repeal the Medicare Catastrophic Protection Act, coverage will revert to previous Medicare levels: 100 days of post-hospital care (the patient must have spent at least three days in the hospital) with a patient co-insurance charge of \$67.50 per day for days 21-100; no benefit for home health care; and no protection of assets for spouses of people who are placed in an institution.

It is impossible to predict with any certainty how Congress will resolve the Medicare crisis, but it appears unlikely that the solution will include sufficient coverage for long-term care. Reps. Stark (D-Calif.) and Waxman (D-Calif.), for example, have drafted a compromise that would repeal the income-based premium, eliminate all new hospital, doctor and nursing-home benefits and retain only prescription drug, Medicaid, routine mammography screening and a few other smaller benefits.

Regardless of federal provisions, the evidence points strongly to a growing market for long-term care insurance and other private sector solutions. As a recent General Accounting Office report stated, "Even with government programs, the elderly can face high out-of-pocket health care costs. Because general health insurance coverage, including Medicare, is primarily directed at acute care, long-term care benefits are limited. Medicaid provides such benefits, but to become eligible individuals must be impoverished. Private long-term care insurance offers potential to help defray these costs."

MORE INFORMATION ON LONG-TERM CARE INSURANCE PROGRAM

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| Dec. 8 | The long-term care insurance highlights brochure will be distributed with paychecks. |
| Dec. 15 | The December edition of <i>Personnel PRIDE</i> will contain information on long-term care. |
| Jan. 2-4 | You will receive a Long-Term Care Insurance enrollment brochure with applications. |
| Jan. 15-31 | Seminars will be held throughout the state to answer your questions about long-term care insurance. Exact locations and dates will be announced later. |
| Jan. 31 | Deadline for applications. |
| Mar. 1 | Effective date of coverage. |

ADULT DAY CARE

What is Adult Day Care?

Adult Day Care is a relatively new way of providing services to older adults who cannot function well on their own, due to an illness or debility. Analogous to child day care, adult day care provides a variety of health, social and related support services in a safe, comfortable setting. Care is provided during any part of the week day, but for less than 24 hours. Services provided usually include counseling and health assessments, health education, personal care, physical therapy, nutritious mid-day meals, social activities, and transportation to and from the center.

Why Adult Day Care?

Adult Day Care is a valuable option for older persons who do not wish to be confined to a nursing home, but cannot manage the activities of daily living without help. Adult day care allows persons with disabilities to continue to live in their own homes or with families. Adult day care serves to reduce the loneliness and isolation that many older persons feel. It also gives relief, support and guidance to families who provide care for a dependent family member. Adult Day Care is a valuable option for working caregivers who do not want to put a parent or relative in a nursing home. It is generally less expensive than a nursing home, and is covered by the Long-Term Care Insurance plan being offered to employees of the state of Rhode Island.

Typical Adult Day Care Services

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|--|---|
| Assessment: | A thorough review of a person's physical, social and recreational needs. |
| Counseling: | Support for individuals and families; a link to outside information; arrangements for help at home. |
| Health Services: | Monitoring blood pressure, height and weight checks, health education and dispensing medication. |
| Medical Services: | Arrangements for physical, dental, foot, eye and ear examinations. |
| Nutrition: | A mid-day meal, nutritious snacks, special diets and nutrition education. |
| Personal Care: | Assistance with toileting, eating, walking and keeping up one's appearance. |
| Recreational/Social Activities: | Planned activities for individuals and groups such as exercise, movies, crafts, music, discussions and trips. |
| Therapies: | Arrangements for physical, occupational and speech therapies. |
| Transportation: | To and from the center, special outings and doctor's appointments. |

More Information

The Rhode Island Department of Elderly Affairs certifies elderly day care centers which meet its standards for staffing, service, safety, and supervision. For a list of certified elderly day care centers and more information, contact the Department of Elderly Affairs at 277-2880.

**You can work
hard all your
life...make
a decent
living...build
a nest egg...**

**But if your
health goes,
you can lose
it all.**

When you're older, a prolonged illness can be devastating financially as well as physically.

For example, one year in a nursing home costs from \$25,000 to \$50,000. And home nursing care can cost more than \$15,000 a year.

Medicare covers very few of these expenses and while Medicaid offers more coverage, you have to be almost destitute to qualify for it.

That's why the State of Rhode Island is making John Hancock Group Long-Term Care Insurance available to you and your eligible family members.

Should you ever suffer a prolonged illness, Group Long-Term Care Insurance covers you for all levels* of nursing and home health care - including those not covered by Medicare. And it does so at an affordable price.

Look for your enrollment kit during the week of January 2, 1990. This kit will include complete information about John Hancock Group Long-Term Care Insurance.

Please read it over. It could be one of the most important decisions you make to help you provide for a more secure and independent future.

Real life, real answers®

John Hancock
Financial Services

*Providing qualifications are met.

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